WEEKLY ECONOMIC REVIEW

January 19, 2007

The Bank of Canada announced this week that it will keep the overnight interest rate at 4.25 per cent, unchanged since May 24, 2006. The Bank continues to view the Canadian economy as operating at its productive capacity. The current rate is also consistent with keeping inflation on target over the medium term. However, the Bank lowered its forecast for 2007 GDP growth to 2.3 per cent (from 2.5 per cent) and 2.8 per cent in 2008. The Canadian dollar declined on the news of lower GDP forecast.

Alberta's manufacturing shipments dropped by 0.7 per cent in November, 2006 since large declines in shipments of primary metals, electronics and transportation offset stronger growth in machinery and wood products. However, manufacturing shipments rose by 7.7 per cent year-to-date.

Canada's manufacturing shipments rose by 2.3 per cent in November, 2006, reflecting a sharp rebound in transportation equipment.

The U.S. all-items CPI rose by 0.5 per cent in December, 2006 as a result of an increase in energy costs. Core inflation (CPI excluding food and energy) increased by 0.2 per cent, but the year-over-year core CPI remained unchanged at 2.6 per cent.

Cdn Dollar (C¢/US$)

Jan	19, 2007	85.3¢
Jan	12, 2007	85.5¢
2006-07 YTD		88.5¢

WTI Oil SUS/bbl

Jan	18, 2007	$50.48
Jan	11, 2007	$51.88
2006-07 YTD		$66.61

Nymex Natural Gas CS/mcf *

February Contract

Jan	19, 2007	$7.90
Jan	12, 2007	$7.54

*Estimate based on Nymex Futures Market Price

The U.S. housing market rebounded in December, 2006. Housing starts rose 4.5 per cent in December, while building permits rose 5.5 per cent in the same month. However, on the year-over-year basis, starts and permits posted the biggest declines in 15 years of 18 per cent and 24.3 per cent respectively.

Oil prices dropped to a 20-month low of US$50.48 this week, after the U.S. government reported larger-than-expected jumps in crude oil and gasoline inventories.

Natural gas prices rose on forecasts of below-normal temperatures during the rest of January and February.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Manufacturing Shipments ($ Millions)	**November**			
Alberta	5,235	-0.7%	-4.0%	7.7%
Canada	48,963	2.3%	-0.7%	-0.5%
Wholesale Trade ($Millions)	**November**			
Alberta	5,203	0.5%	9.2%	13.8%
Canada	41,584	0.1%	3.4%	6.7%
New Motor Vehicle Sales	**November**			
Alberta	20,209	-3.7%	7.2%	12.0%
Canada	140,012	3.0%	2.2%	1.6%
Consumer Price Index (1982-84=100)	**December**			
U.S.	202.8	0.5%	2.6%	3.23%

Source: Statistics Canada

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-November 2006 versus January-November 2005*